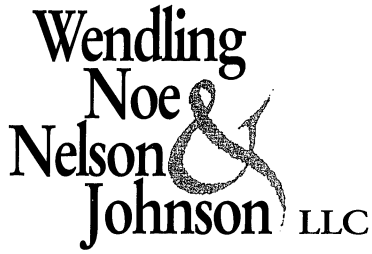


FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
CITY OF EDWARDSVILLE, KANSAS  
DECEMBER 31, 2010

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor and City Council  
City of Edwardsville, Kansas

We have audited the accompanying financial statements of the City of Edwardsville, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the City of Edwardsville, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note B, the City of Edwardsville, Kansas, has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect of the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effect of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Edwardsville, Kansas, as of December 31, 2010, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Edwardsville, Kansas, as of December 31, 2010, and its cash receipts and expenditures, budgetary comparisons, and changes in long-term debt and long-term debt maturities for the year then ended, on the basis of accounting described in Note B.

*Wendy Mae Nelson & John LLC*

Topeka, Kansas  
June 6, 2011

CITY OF EDWARDSVILLE, KANSAS  
SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH  
Year ended December 31, 2010

<u>Funds</u>	<u>Beginning unencumbered balance (deficit)</u>	<u>Prior year cancelled encumbrances</u>	<u>Cash receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered balance (deficit)</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance</u>
Governmental type funds							
General	\$ 329,984	\$ -	\$3,765,674	\$3,677,116	\$ 418,542	\$65,030	\$ 483,572
Special revenue funds							
Cemetery Levy	699				699		699
Special Highway	198,412		212,751	324,336	86,827	7,313	94,140
Sewer Maintenance	28,881		126,798	76,748	78,931		78,931
Solid Waste	5,211		125,868	120,804	10,275	9,511	19,786
Special Parks and Recreation	19,322		3,118	3,937	18,503		18,503
Economic Development			260,000	90,230	169,770		169,770
Law Enforcement Trust	727		1,527		2,254		2,254
Cemetery Board	121,313		7,155	20,102	108,366		108,366
Governmental Grants			73,060	73,060			
Payroll Clearing						324	324
Debt service fund							
Bond and interest	131,249		872,423	898,358	105,314		105,314
Capital projects							
Capital Improvement -							
2006 GO Bond Issue	1,321,994		5,635	303,927	1,023,702		1,023,702
435 and Woodend			66,135	66,135			
110th Street			237,792	237,792			
Earp Inspections			52,200	44,590	7,610	4,175	11,785
Total reporting entity	<u>\$2,157,792</u>	<u>\$ -</u>	<u>\$5,810,136</u>	<u>\$5,937,135</u>	<u>\$2,030,793</u>	<u>\$86,353</u>	<u>\$2,117,146</u>
					Petty cash		\$ 250
					Checking accounts		1,047,117
					Money market accounts		1,022,876
					Certificates of deposit		46,903
					Total cash		<u>\$2,117,146</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
Year ended December 31, 2010

<u>Funds</u>	<u>Certified budget</u>	<u>Adjustments for qualifying budget credits</u>	<u>Total for budget comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
Governmental type funds					
General	\$3,724,037	\$ -	\$3,724,037	\$3,677,116	\$46,921
Special revenue funds					
Cemetery Levy					
Special Highway	344,115		344,115	324,336	19,779
Sewer Maintenance	77,500		77,500	76,748	752
Solid Waste	120,806		120,806	120,804	2
Special Parks and Recreation	4,500		4,500	3,937	563
Economic Development	101,689		101,689	90,230	11,459
Debt service fund					
Bond and interest	898,358		898,358	898,358	

The accompanying notes are an integral part of these statements.

## CITY OF EDWARDSVILLE, KANSAS

## GENERAL FUND

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Property taxes	\$1,577,991	\$1,577,991	\$ -
Delinquent taxes	19,261	19,261	
Auto ad valorem taxes	130,192	130,191	1
Local retail sales taxes	962,267	948,726	13,541
Payment in lieu of taxes	157,026	157,026	
Franchise fees	298,524	300,000	(1,476)
Intergovernmental	3,093	4,100	(1,007)
Licenses, permits, and fees	92,871	87,450	5,421
Municipal court	312,460	302,334	10,126
Fees for services	51,296	53,406	(2,110)
Interest	10,997	10,000	997
Miscellaneous	80,833	143,843	(63,010)
Total cash receipts	<u>3,696,811</u>	<u>3,734,328</u>	<u>(37,517)</u>
Expenditures			
General administration	642,154	698,643	56,489
Fire department	869,608	865,667	(3,941)
Police department	1,118,931	1,109,972	(8,959)
Court	153,995	130,659	(23,336)
Employee benefits	764,039	794,661	30,622
Parks and recreation	110,172	106,935	(3,237)
Community center	18,217	17,500	(717)
Total expenditures	<u>3,677,116</u>	<u>3,724,037</u>	<u>46,921</u>
Receipts over expenditures	19,695	10,291	9,404
Other financing sources (uses)			
Operating transfers in	<u>68,863</u>		<u>68,863</u>
Receipts and other sources over expenditures (expenditures and other uses over receipts)	88,558	10,291	78,267
Unencumbered cash balance (deficit) beginning of year	<u>329,984</u>	<u>329,984</u>	
Unencumbered cash balance end of year	<u>\$ 418,542</u>	<u>\$ 340,275</u>	<u>\$78,267</u>

The accompanying notes are an integral part of these statements.

## CITY OF EDWARDSVILLE, KANSAS

## CEMETERY LEVY FUND

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Miscellaneous	\$ -	\$ -	\$ -
Expenditures			
Cemetery board	<u>        </u>	<u>        </u>	<u>        </u>
Receipts over expenditures	-	-	-
Unencumbered cash balance			
(deficit) beginning of year	<u>699</u>	<u>-</u>	<u>699</u>
Unencumbered cash balance			
(deficit) end of year	<u>\$699</u>	<u>\$ -</u>	<u>\$699</u>

The accompanying notes are an integral part of these statements.



CITY OF EDWARDSVILLE, KANSAS  
SPECIAL HIGHWAY FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
Year ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Intergovernmental	\$212,751	\$212,751	\$ -
Expenditures			
Highways and streets	<u>181,088</u>	<u>200,867</u>	<u>19,779</u>
Receipts over expenditures	31,663	11,884	19,779
Other financing sources (uses)			
Operating transfers out	<u>(143,248)</u>	<u>(143,248)</u>	<u>          </u>
Receipts and other sources over expenditures (expenditures and other uses over receipts)	(111,585)	(131,364)	19,779
Unencumbered cash balance beginning of year	<u>198,412</u>	<u>198,412</u>	<u>          </u>
Unencumbered cash balance end of year	<u>\$ 86,827</u>	<u>\$ 67,048</u>	<u>\$19,779</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
 SEWER MAINTENANCE FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 Year ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Charges for services	\$126,798	\$107,925	\$18,873
Expenditures			
Materials, supplies, and repairs	<u>11,748</u>	<u>12,500</u>	<u>752</u>
Receipts over expenditures	115,050	95,425	19,625
Other financing sources (uses)			
Operating transfers out	<u>(65,000)</u>	<u>(65,000)</u>	<u>          </u>
Receipts and other sources over expenditures (expenditures and other uses over receipts)	50,050	30,425	19,625
Unencumbered cash balance beginning of year	<u>28,881</u>	<u>28,881</u>	<u>          </u>
Unencumbered cash balance end of year	<u>\$ 78,931</u>	<u>\$ 59,306</u>	<u>\$19,625</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
 SOLID WASTE FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 Year ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance favorable (unfavorable)</u>
Cash receipts			
Charges for services	\$125,868	\$120,500	\$5,368
Expenditures			
Solid waste charges	<u>120,804</u>	<u>120,806</u>	<u>2</u>
Receipts over expenditures (expenditures over receipts)	5,064	(306)	5,370
Unencumbered cash balance (deficit) beginning of year	<u>5,211</u>	<u>5,211</u>	<u></u>
Unencumbered cash balance end of year	<u>\$ 10,275</u>	<u>\$ 4,905</u>	<u>\$5,370</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
SPECIAL PARKS AND RECREATION FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
Year ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Intergovernmental	\$ 3,093	\$ 4,100	\$(1,007)
Miscellaneous	<u>25</u>	<u>25</u>	<u>          </u>
Total cash receipts	<u>3,118</u>	<u>4,125</u>	<u>(1,007)</u>
Expenditures			
Culture and recreation	<u>3,937</u>	<u>4,500</u>	<u>563</u>
Total expenditures	<u>3,937</u>	<u>4,500</u>	<u>563</u>
Receipts over expenditures (expenditures over receipts)	(819)	(375)	(444)
Unencumbered cash balance beginning of year	<u>19,322</u>	<u>19,322</u>	<u>          </u>
Unencumbered cash balance end of year	<u>\$18,503</u>	<u>\$18,947</u>	<u>\$ (444)</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
 ECONOMIC DEVELOPMENT  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 Year ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Miscellaneous	\$260,000	\$260,000	\$ -
Expenditures			
Economic development	<u>12,473</u>	<u>23,932</u>	<u>11,459</u>
Receipts over expenditures	247,527	236,068	11,459
Other financing sources (uses)			
Operating transfers out	<u>(77,757)</u>	<u>(77,757)</u>	<u>          </u>
Receipts and other sources over expenditures (expenditures and other uses over receipts)	169,770	158,311	11,459
Unencumbered cash balance beginning of year	<u>          </u>	<u>          </u>	<u>          </u>
Unencumbered cash balance end of year	<u>\$169,770</u>	<u>\$158,311</u>	<u>\$11,459</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
 DEBT SERVICE FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 Year ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Property taxes	\$407,857	\$425,517	\$(17,660)
Delinquent taxes	3,997		3,997
Auto ad valorem taxes	25,268	26,254	(986)
Benefit district assessments	106,329	126,413	(20,084)
Payment in lieu of taxes	40,582	26,829	13,753
Interest	<u>2,385</u>		<u>2,385</u>
Total cash receipts	<u>586,418</u>	<u>605,013</u>	<u>(18,595)</u>
Expenditures			
Principal - bonds	435,000	435,000	
Principal - revolving loan	131,714	131,714	
Interest and commissions	<u>331,644</u>	<u>331,644</u>	
Total expenditures	<u>898,358</u>	<u>898,358</u>	<u>-</u>
Receipts over expenditures (expenditures over receipts)	(311,940)	(293,345)	(18,595)
Other financing sources (uses)			
Transfers in	<u>286,005</u>	<u>208,248</u>	<u>77,757</u>
Receipts and other sources over expenditures (expenditures and other uses over receipts)	(25,935)	(85,097)	59,162
Unencumbered cash balance beginning of year	<u>131,249</u>	<u>132,376</u>	<u>(1,127)</u>
Unencumbered cash balance end of year	<u>\$105,314</u>	<u>\$ 47,279</u>	<u>\$ 58,035</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
LAW ENFORCEMENT TRUST FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year ended December 31, 2010

Cash receipts	
Miscellaneous	\$1,527
Expenditures	
Public safety	<u>          </u>
Receipts over expenditures	
(expenditures over receipts)	1,527
Unencumbered cash balance	
beginning of year	<u>727</u>
Unencumbered cash balance	
end of year	<u><u>\$2,254</u></u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
CEMETERY BOARD OPERATING FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year ended December 31, 2010

Cash receipts	
Fees for services	\$ 5,950
Interest	<u>1,205</u>
Total cash receipts	<u>7,155</u>
Expenditures	
Cemetery board	<u>20,102</u>
Total expenditures	<u>20,102</u>
Receipts over expenditures	
(expenditures over receipts)	(12,947)
Unencumbered cash balance	
beginning of year	<u>121,313</u>
Unencumbered cash balance	
end of year	<u>\$108,366</u>

The accompanying notes are an integral part of these statements.



CITY OF EDWARDSVILLE, KANSAS  
 GOVERNMENTAL GRANTS FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
 Year ended December 31, 2010

Cash receipts	
Intergovernmental	\$73,060
Expenditures	
Public safety	<u>4,197</u>
Receipts over expenditures	
(expenditures over receipts)	68,863
Other financing sources (uses)	
Transfers out	<u>(68,863)</u>
Receipts and other sources over	
expenditures (expenditures and	
other uses over receipts)	-
Unencumbered cash balance	
beginning of year	<u>-</u>
Unencumbered cash balance	
end of year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
CAPITAL IMPROVEMENT FUND - 2006 GO BOND ISSUE  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year ended December 31, 2010

Cash receipts	
Interest	\$ 5,635
Expenditures	
Capital improvements	<u>-</u>
Receipts over expenditures (expenditures over receipts)	5,635
Other financing sources (uses)	
Transfers out	<u>(303,927)</u>
Receipts and other sources over expenditures (expenditures and other uses over receipts)	(298,292)
Unencumbered cash balance beginning of year	<u>1,321,994</u>
Unencumbered cash balance end of year	<u>\$1,023,702</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
CAPITAL IMPROVEMENT FUND - 435 AND WOODEND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year ended December 31, 2010

Cash receipts	
Miscellaneous	\$ <u>-</u>
Expenditures	
Capital improvements	<u>66,135</u>
Receipts over expenditures	
(expenditures over receipts)	(66,135)
Other financing sources	
Transfers in	<u>66,135</u>
Receipts and other sources over	
expenditures (expenditures and	
other uses over receipts)	<u>-</u>
Unencumbered cash balance beginning	
of year	<u>-</u>
Unencumbered cash balance end of year	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
 CAPITAL IMPROVEMENT FUND - 110TH STREET  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
 Year ended December 31, 2010

Cash receipts	
Miscellaneous	\$ <u>          -</u>
Expenditures	
Capital improvements	220,592
Professional services	<u>17,200</u>
Total expenditures	<u>237,792</u>
Receipts over expenditures	
(expenditures over receipts)	(237,792)
Other financing sources	
Transfers in	<u>237,792</u>
Receipts and other sources over	
expenditures (expenditures and	
other uses over receipts)	<u>          -</u>
Unencumbered cash balance beginning	
of year	<u>          -</u>
Unencumbered cash balance end of year	<u><u>          -</u></u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
CAPITAL IMPROVEMENT FUND - EARP INSPECTIONS  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year ended December 31, 2010

Cash receipts	
Miscellaneous	\$52,200
Expenditures	
Professional services	<u>44,590</u>
Receipts over expenditures	
(expenditures over receipts)	7,610
Unencumbered cash balance	
beginning of year	<u>-</u>
Unencumbered cash balance	
end of year	<u>\$ 7,610</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
 STATEMENT OF CHANGES IN LONG-TERM DEBT  
 Year ended December 31, 2010

<u>Issue</u>	<u>Interest rates</u>	<u>Date of issue</u>	<u>Amount of issue</u>	<u>Date of final maturity</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ payments</u>	<u>Balance end of year</u>	<u>Interest paid</u>
2006 General Obligation Bonds	3.85% - 5.00%	06-01-2006	\$5,260,000	12-01-2021	\$5,260,000	\$ -	\$345,000	\$4,915,000	\$220,155
2008 General Obligation Bonds	3.625% - 4.00%	05-15-2008	1,065,000	10-01-2018	930,000		90,000	840,000	36,413
KDHE loan sewer improvements	2.98%	11-12-2003	3,063,879	03-01-2025	2,552,017		131,714	2,420,303	75,076
Capital lease	6.53%	07-26-2007	25,485	07-01-2012	14,199		5,215	8,984	773
Capital lease	4.84% - 5.25%	05-15-2007	51,907	12-15-2010	29,554		29,554		1,706
Capital lease	5.12%	06-23-2008	43,227	01-25-2011	28,988		14,042	14,946	1,868
Capital lease	5.20%	12-08-2008	44,870	11-01-2011	30,558		14,874	15,684	1,664
Capital lease	5.20%	12-08-2008	20,774	11-01-2011	15,909		5,027	10,882	857
Capital lease	6.66%	12-07-2009	33,054	06-15-2013	33,054		5,550	27,504	1,157
Capital lease	3.75%	12-17-2010	64,037	06-17-2013		64,037		64,037	
Total contractual indebtedness					8,894,279	64,037	640,976	8,317,340	339,669
Compensated absences	N/A	N/A	N/A	N/A	281,063	26,549		307,612	
Total long-term debt					<u>\$9,175,342</u>	<u>\$90,586</u>	<u>\$640,976</u>	<u>\$8,624,952</u>	<u>\$339,669</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
 SCHEDULE OF MATURITIES OF LONG-TERM DEBT  
 Year ended December 31, 2010

	Year							
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2025</u>	<u>Total</u>
Principal								
General Obligation Bonds	\$450,000	\$470,000	\$495,000	\$515,000	\$530,000	\$2,750,000	\$ 545,000	\$ 5,755,000
KDHE loan sewer improvements	135,669	139,742	143,937	148,258	152,709	835,132	864,856	2,420,303
Capital leases	<u>73,179</u>	<u>40,952</u>	<u>27,906</u>					<u>142,037</u>
Total principal	<u>658,848</u>	<u>650,694</u>	<u>666,843</u>	<u>663,258</u>	<u>682,709</u>	<u>3,585,132</u>	<u>1,409,856</u>	<u>8,317,340</u>
Interest								
General Obligation Bonds	235,718	214,118	193,442	174,235	154,438	441,965	22,345	1,436,261
KDHE loan sewer improvements	71,122	67,049	62,853	58,532	54,081	198,820	65,702	578,159
Capital leases	<u>5,193</u>	<u>3,828</u>	<u>4,076</u>					<u>13,097</u>
Total interest	<u>312,033</u>	<u>284,995</u>	<u>260,371</u>	<u>232,767</u>	<u>208,519</u>	<u>640,785</u>	<u>88,047</u>	<u>2,027,517</u>
Total principal and interest	<u>\$970,881</u>	<u>\$935,689</u>	<u>\$927,214</u>	<u>\$896,025</u>	<u>\$891,228</u>	<u>\$4,225,917</u>	<u>\$1,497,903</u>	<u>\$10,344,857</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

NOTE A - FUND DESCRIPTIONS

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City for 2010.

Governmental funds:

General fund - to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds - to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Debt service fund - to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt.

Capital project funds - to account for the acquisition or construction of major capital assets.

NOTE B - SUMMARY OF ACCOUNTING POLICIES

1. Reporting entity

The City of Edwardsville, Kansas, was incorporated on June 28, 1915, as a third-class city. In 2008, the City was designated a second-class city. The City operates under a Mayor-Council form of government with a City Administrator and provides the following services as authorized by its charter: public safety (police and fire), highway and street maintenance, sanitation, culture/recreation, public improvements, planning and zoning and general administrative services.

These financial statements present the City of Edwardsville (the primary government). The reporting entity has no separate component units.



CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2010

NOTE B - SUMMARY OF ACCOUNTING POLICIES - Continued

2. Budgetary control and encumbrances

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), and debt service funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1.
- b. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
- c. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There was one amendment to the budget for the year ended December 31, 2010.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds and the following special revenue funds:

Law Enforcement Trust Fund  
Cemetery Board Operating Fund  
Governmental Grants Fund

CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2010

NOTE B - SUMMARY OF ACCOUNTING POLICIES - Continued

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by other statutes, or by the use of internal spending limits established by the governing body.

3. Basis of presentation

The statutory basis of accounting as used in the preparation of these financial statements is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund; an expenditure would be charged in the fund from which the transfer is made.

4. Waiver of financial reporting requirements

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

5. Departure from generally accepted accounting principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivable, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General assets that account for the land, buildings and equipment owned are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, capital lease obligations, and compensated absences are not presented in the financial statements.

CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2010

NOTE B - SUMMARY OF ACCOUNTING POLICIES - Continued

6. Compensated absences

Accumulated and vested vacation leave that can be estimated, with reasonable accuracy, and is expected to be liquidated with current, available financial resources is reported as an expenditure and a fund liability of the fund that will pay it. Amounts of vested and accumulated vacation leave that are not expected to be liquidated with expendable current financial resources are reported in the long-term debt. No expenditure is reported for these amounts.

In accordance with the provisions of Governmental Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

NOTE C - DEPOSITS AND INVESTMENTS

At December 31, 2010, the City had the following investments:

<u>Type</u>	<u>Fair value</u>	<u>Rating</u>
Bank certificates of deposit	\$46,903	N/A

K.S.A. 9-1401 establishes the depositories which may be used by the City of Edwardsville. The statute requires banks eligible to hold the City of Edwardsville's funds have a main or branch bank in the county in which the City of Edwardsville is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City of Edwardsville has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City of Edwardsville's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City of Edwardsville has no investment policy that would further limit its investment choices. The rating of the City of Edwardsville's investments is noted above.

*Concentration of credit risk.* State statutes place no limit on the amount the City of Edwardsville may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk - deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City of Edwardsville's deposits may not be returned to it. State statutes require the City of Edwardsville's

CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2010

NOTE C - DEPOSITS AND INVESTMENTS - Continued

deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the City of Edwardsville's carrying amount of deposits was \$2,117,146 and the bank balance was \$2,188,918. Of the bank balance, \$296,903 was covered by federal depository insurance, \$1,892,015 was collateralized with securities held by the pledging financial institutions' agents in the City of Edwardsville's name.

*Custodial credit risk - investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City of Edwardsville will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE D - INTERFUND OPERATING TRANSFERS

A summary of interfund operating transfers is as follows:

	Transfers in	Transfers out
General Fund	\$ 68,863	\$ -
Special Highway		143,248
Sewer Maintenance Fund		65,000
Economic Development Fund		77,757
Debt Service Fund	286,005	
Governmental Grants Fund		68,863
Capital Improvement Fund -		
2006 GO Bond Issue		303,927
435 and Woodend	66,135	
110th Street	237,792	
	<u>\$658,795</u>	<u>\$658,795</u>

CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2010

NOTE E - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Statutory violations

Under Kansas statutes, expenditures are mandated to be controlled, so that no indebtedness is created in excess of budgeted limits. Management is not aware of any statutory violations.

NOTE F - RETIREMENT PLANS

The City of Edwardsville, Kansas, participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Fireman's Retirement System (KP&F). Both are part of a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas' law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available joint financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

Currently, K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4 percent of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7 percent of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates. The KPERS employer rate established by statute for calendar year 2010 was 7.14 percent. Included in this rate is the contribution for Group Death and Disability Insurance of 1.0%. From April 1, 2010 through June 30, 2010, the State of Kansas imposed a moratorium on the collection of the premium of 1.00% of the Group Death and Disability Insurance rate. The City's employer contributions to KPERS for the years ended December 31, 2010, 2009, and 2008 were \$28,189, \$22,630, and \$17,350, respectively, equal to the required contributions for each year. The KP&F employer rates established for 2010 were 15.22 percent (police) and 17.67 percent (fire). Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's regular employer contributions to KP&F for the years ended December 31, 2010, 2009, and 2008, were \$250,408, \$256,436, \$251,250, respectively.

CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2010

NOTE G - LITIGATION

The City is involved in legal proceedings arising from the ordinary course of City activities. While these proceedings may have future financial effect, management believes that their ultimate outcome will not be material to the basic financial statements.

NOTE H - CONDUIT DEBT OBLIGATIONS

The City issued Industrial Revenue Bonds for the capital needs of unrelated parties. The principal and interest payments on the bonds are payable solely from funds generated from leases, etc., from such unrelated parties. Accordingly, the bonds and related leases, etc., are not recorded in the City's accounts. As of December 31, 2010, there were eleven series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of approximately \$79.8 million.

NOTE I - OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. Each retiree pays the full amount of the applicable age adjusted premium, which is expected to cover the costs of the retiree benefits, thus, there is no cost to the City.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

NOTE J - SUBSEQUENT EVENTS

Subsequent events were evaluated through June 6, 2011, which is the date the financial statements were available to be issued.